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Philippines Coconut Products Project

June 1992 — June 1996

The coconut industry is a key agricultural subsector in the Philippines and other Asian, Latin American, and African countries. The Philippines alone exports about \$819 million worth of coconut products annually. Twenty million Filipinos depend on coconut products for their livelihoods and almost 30 percent of the arable land in the country is used for coconut farming. Coconuts are used to produce a wide variety of food products, cosmetics, and other goods. Coconut shells can be processed into charcoal and activated carbon. The fiber from the husks, called coir, also has many uses (see [Philippines Coconut Coir Project](#)).



Economic Participants	7,429
Total Monetary Benefits	\$93,061
Cumulative TMB	\$1,927,885
Enterprises Assisted	12
Project Budget	\$290,958
Primary Funder	USAID/Philippines

This Philippines Coconut Products Project was designed to promote the local processing of coconuts so that small-scale coconut farmers could add value to their crops and earn additional income. After considerable testing, the project identified five types of enterprises suited to the local economy: 1) copra drying, using an improved kiln; 2) coconut oil production, using the "fresh-dry" method; 3) snack-food production, using wet coconut processing; 4) production of high-value charcoal from carbonization of coconut shells, using an improved kiln; and 5) decortication of waste coconut husks into coir fiber and coir dust. Once these modules had been identified and fully tested, the project then focused on providing business development services for related enterprises.

EnterpriseWorks matched funds from USAID/Philippines with funds from the private sector in the Philippines and provided its own financial support as well. Since the completion of this project in 1996, EnterpriseWorks and USAID/Philippines have ended their official technical and financial assistance to all project-related enterprises. However, EnterpriseWorks is continuing to track the progress of the coconut enterprises through its local affiliate in the Philippines.

OBJECTIVES

- Develop five sustainable income-generating activities based on coconut processing that could be replicated easily by small enterprises.
- Establish five new processing enterprises to benefit 500 or more coconut farmers.
- Increase capacity of three local NGOs and encourage enterprise-building projects with local coconut farmers.

PROGRESS REPORT

Project-related enterprises generated an additional income from 1992 through 2000. Monetary benefits include added income for coconut processors through the sale of a variety of

value-added coconut products, including oil, coconut meat (copra), copra meal for animal feeds, and charcoal. Processors also recorded substantial savings as a result of project-related improvements in production efficiency. The enterprises are still earning additional income today. In 2000, producer cost savings, income gains, and consumer savings totaled over \$93,061, and an estimated 7,429 people associated with these enterprises received benefits.

The Coconut Processing Test and Training Plant has become an independent, permanent provider of local research and training. EnterpriseWorks established the CPTP in 1992 at the University of the Philippines at Los Baños and it has been operating with independent funding since 1996. In 1998, the facility focused on improving oil production and husk decorticating technologies and conducting field training in coconut processing. CPTP has continued to make improvements to the design of the multi-crop dryer and burners.

Coconut harvests improved in 2000 but copra producers suffered heavy losses due to the drastic decrease in price of copra. Coconut harvests have significantly improved in 2000 as the trees have recovered from the effects of the El Niño and La Niña weather conditions in 1997 and 1998. However, the boom in the harvest was accompanied by a dramatic price drop, diminishing the potential increase in income. The project's oil mills have not been affected and, in fact, the price drop has been favorable to refined oil producers because of the lower price of raw materials. Palawan's refined oil sales nearly tripled since 1999, resulting in a large increase in the number of consumers benefiting from the lower price of oil available through the project. Similarly the nata de coco processing enterprise was not affected by the decrease in the price of copra, but operations have been irregular during the year because of low demand for the product.

Participating small producers still need more working capital to thrive. The lack of raw materials has caused a significant working capital problem for participating small producers. In 1997, EnterpriseWorks/Philippines developed financial and operational assessments to help local farmers manage their enterprises. The project also helped the two oil mills and the nata de coco processing enterprise prepare loan requests for additional funds in order to bridge the gap until the supply of raw coconuts improved, which occurred in 1999. Because of difficulty accessing working capital, the Antipuluan Small Coconut Farmers Producers Cooperative (ASCFPC) rented out its oil mill to a private businessman, who manages the enterprise with the assistance of ASCFPC's former Marketing Officer and Business Manager.

LESSONS LEARNED

Linkages with regional and national NGOs are critical to project replication. To make business development services for small-scale coconut producers more cost-effective, EnterpriseWorks/Philippines collaborated on this project with local NGOs that have regional or national reach and offer greater replication opportunities while requiring less technical assistance from the project.

Linking small-scale producers directly with private sector distributors reduces costs and enhances economic benefits. In Palawan, for example, the project's oil-processing enterprise was able to solve product distribution problems and lower marketing costs by forging a direct marketing link with a private distributor.

Once an enterprise is proven viable, accessing private sector funding is not difficult. When ASCFPC announced its desire to lease out its oil processing plants, a group of several private individuals expressed an interest, pending satisfactory demonstration of economic viability. After a favorable assessment of the first mill, the group received a number of proposals for a plant leasing arrangement. The cooperative's second oil mill in Southern Leyte received a less favorable

assessment and there has been little private sector interest in lease arrangements there.

Members' short-term interests need to be balanced against enterprise sustainability.

Enterprises owned and operated by farmer groups sometimes encounter pressure from their members to raise raw material prices above market levels in order to generate more immediate income, jeopardizing profitability and long-term sustainability. Enterprises sometimes must learn through trial and error that they cannot get higher prices for their products without also making quality improvements that justify price increases.

Careful site selection is critical. Past experience has shown that certain specific site conditions must be met if coconut-processing enterprise modules are to be viable.

For example, small-scale coconut oil mills are generally successful only when they are located at least 100 km from the nearest large-scale mill in an area where three-phase power lines exist and the local market exceeds 25,000 people. The project has incorporated these site selection criteria into its strategy for providing services to new enterprises.